

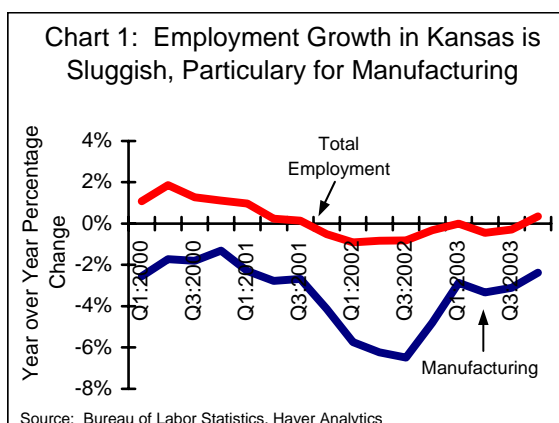
# FDIC State Profile

Spring 2004

## Kansas

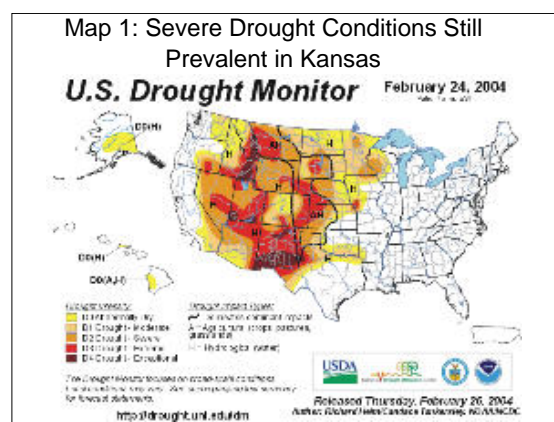
Kansas labor economy shows modest signs of improvement in the fourth quarter of 2003.

- The Kansas economy added jobs in the fourth quarter, after experiencing losses for the past seven quarters (See Chart 1).
- Manufacturing employment, even with a modest gain of 1,400 jobs in the fourth quarter, continued to decline through 2003 and lagged the statewide growth in total nonfarm employment.
- The unemployment rate declined to 4.7 percent in the fourth quarter 2003, down from 4.9 percent in the third quarter. The unemployment rate has steadily declined from the recent peak of 5.2 percent in the third quarter 2002.



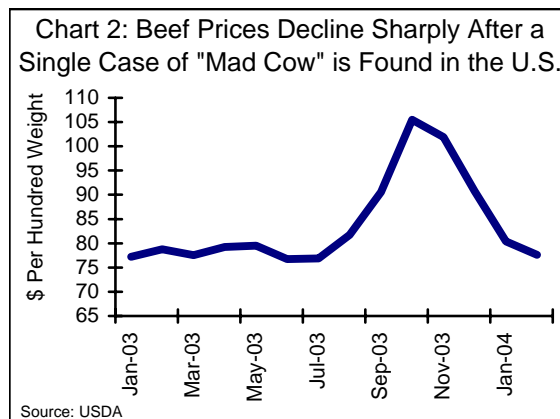
**Drought situation improves in 2003, but effects persist.**

- Moderate to extreme drought conditions persist in the western part of the state (See Map 1).
- Reservoirs, streams, and farm ponds remain below normal levels, reflecting the accumulating precipitation shortages over the past four years.
- The United States Department of Agriculture's (USDA) February 3 crop progress report rates 9 percent of the state's wheat condition as "Very poor" and 18 percent as "Poor".



**Beef prices decline after healthy gains in 2003**

- Cattle prices declined sharply in the last week of 2003 following the USDA's announcement of the first U.S. case of bovine spongiform encephalopathy (BSE), or "mad cow" disease.
- The spot price for live cattle dropped to \$73.80 per hundredweight in the first week of January 2004, down from \$87.85 just a week earlier as beef export markets quickly shut down (See Chart 2). In addition to falling cattle prices, some beef processors throughout the Region announced layoffs until export demand resumes.
- In Kansas, cattle receipts account for 61 percent of the state's agricultural revenue.



## State Profile

### Persistent Drought Conditions Are Negatively Affecting Much of Kansas, Nebraska, and South Dakota

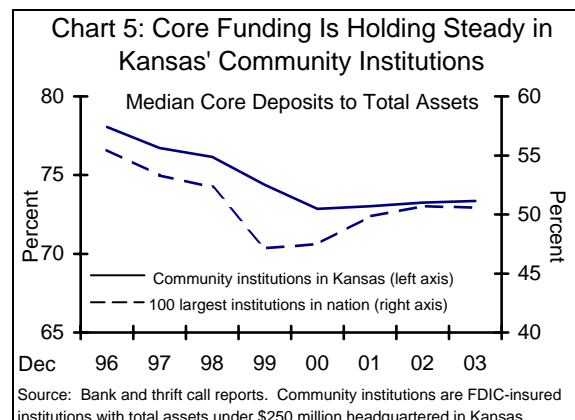
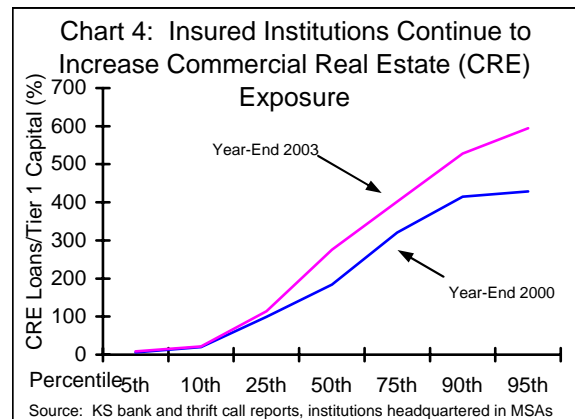
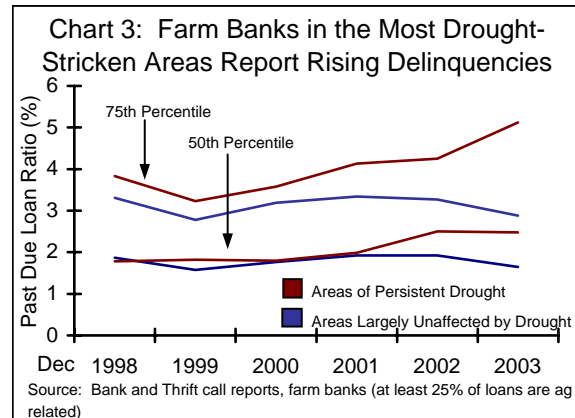
- Four years of persistent drought throughout much of the Region's western states has reduced agricultural output and lowered river and stream flows, reservoir pool elevations, and water tables of underground aquifers substantially.
- As a result, farm banks in the most drought-stricken areas are experiencing rising stress in their agricultural loan portfolios, as reduced farm production negatively impacts farmers' debt service ability (See Chart 3).
- Moreover, in some western agricultural districts, farmland values stagnated or declined in the last two years, the first decline since the Farm Crisis in the mid-1980s. Declining land values could significantly weaken farm loan collateral margins.

### Kansas's Metropolitan Institutions Have Increased Their Commercial Real Estate (CRE) Exposure

- Exposure to Commercial Real Estate (CRE) increased substantially in the past few years, despite weakening CRE market fundamentals in Kansas City and other metropolitan areas (See Chart 4).
- Most of the growth was in nonresidential, nonfarm properties and construction and development properties, historically the most volatile CRE segment.
- Despite weakened markets and increased CRE loan volume, CRE delinquencies remained low and CRE net charge-offs are negligible.

### Community Institutions in Kansas Continue to Enjoy Relatively Stable Core Funding

- Community institutions' core funding remained stable in 2003, marking the third consecutive year following years of decline (See Chart 5).
- Kansas's community institutions apparently benefited from the influx of funds into the nation's banking system from investors seeking shelter from a weak economy and falling stock markets.
- Rural Kansas's growing elderly population and net out-migration will continue to pressure core funding in the long-term. As elderly depositors pass away, their deposits often follow their heirs, who typically have migrated from rural areas to metropolitan areas.



## Kansas at a Glance

<b>General Information</b>	<b>Dec-03</b>	<b>Dec-02</b>	<b>Dec-01</b>	<b>Dec-00</b>	<b>Dec-99</b>
Institutions (#)	380	380	390	393	404
Total Assets (in thousands)	53,058,020	51,361,516	48,449,038	49,333,482	45,045,827
New Institutions (# < 3 years)	8	8	10	8	6
New Institutions (# < 9 years)	19	17	18	14	12
<b>Capital</b>	<b>Dec-03</b>	<b>Dec-02</b>	<b>Dec-01</b>	<b>Dec-00</b>	<b>Dec-99</b>
Tier 1 Leverage (median)	9.34	9.39	9.49	9.60	9.47
<b>Asset Quality</b>	<b>Dec-03</b>	<b>Dec-02</b>	<b>Dec-01</b>	<b>Dec-00</b>	<b>Dec-99</b>
Past-Due and Nonaccrual (median %)	1.63%	1.91%	1.82%	1.74%	1.51%
Past-Due and Nonaccrual >= 5%	43	49	44	30	24
ALLL/Total Loans (median %)	1.38%	1.38%	1.39%	1.38%	1.43%
ALLL/Noncurrent Loans (median multiple)	2.05	1.74	1.88	2.15	2.38
Net Loan Losses/Loans (aggregate)	0.34%	0.37%	0.38%	0.28%	0.30%
<b>Earnings</b>	<b>Dec-03</b>	<b>Dec-02</b>	<b>Dec-01</b>	<b>Dec-00</b>	<b>Dec-99</b>
Unprofitable Institutions (#)	18	19	29	16	9
Percent Unprofitable	4.74%	5.00%	7.44%	4.07%	2.23%
Return on Assets (median %)	0.97	1.07	1.04	1.12	1.07
25th Percentile	0.59	0.68	0.63	0.78	0.74
Net Interest Margin (median %)	3.97%	4.13%	4.17%	4.29%	4.19%
Yield on Earning Assets (median)	5.75%	6.60%	7.81%	8.24%	7.80%
Cost of Funding Earning Assets (median)	1.75%	2.44%	3.65%	3.94%	3.57%
Provisions to Avg. Assets (median)	0.11%	0.14%	0.12%	0.09%	0.06%
Noninterest Income to Avg. Assets (median)	0.64%	0.60%	0.60%	0.58%	0.56%
Overhead to Avg. Assets (median)	3.01%	3.03%	3.06%	3.05%	3.01%
<b>Liquidity/Sensitivity</b>	<b>Dec-03</b>	<b>Dec-02</b>	<b>Dec-01</b>	<b>Dec-00</b>	<b>Dec-99</b>
Loans to Deposits (median %)	72.27%	72.32%	73.48%	74.79%	70.45%
Loans to Assets (median %)	60.07%	60.19%	61.55%	62.47%	60.08%
Brokered Deposits (# of Institutions)	49	42	42	32	28
Bro. Deps./Assets (median for above inst.)	2.64%	3.10%	2.72%	2.24%	1.80%
Noncore Funding to Assets (median)	15.81%	15.71%	15.56%	15.50%	14.13%
Core Funding to Assets (median)	72.60%	72.49%	72.54%	72.28%	74.19%
<b>Bank Class</b>	<b>Dec-03</b>	<b>Dec-02</b>	<b>Dec-01</b>	<b>Dec-00</b>	<b>Dec-99</b>
State Nonmember	234	235	244	248	255
National	99	101	104	106	108
State Member	29	27	25	22	24
S&L	10	10	10	10	10
Savings Bank	8	7	7	7	7
Stock and Mutual SB	0	0	0	0	0
<b>MSA Distribution</b>	<b># of Inst.</b>	<b>Assets</b>	<b>% Inst.</b>	<b>% Assets</b>	
No MSA	290	21,281,070	76.32%	40.11%	
Kansas City MO-KS	45	13,007,239	11.84%	24.52%	
Wichita KS	28	7,415,243	7.37%	13.98%	
Topeka KS	10	10,639,682	2.63%	20.05%	
Lawrence KS	7	714,786	1.84%	1.35%	